

TOP SECRET

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GENERAL

1. China trade controls may be questioned at COCOM meeting:

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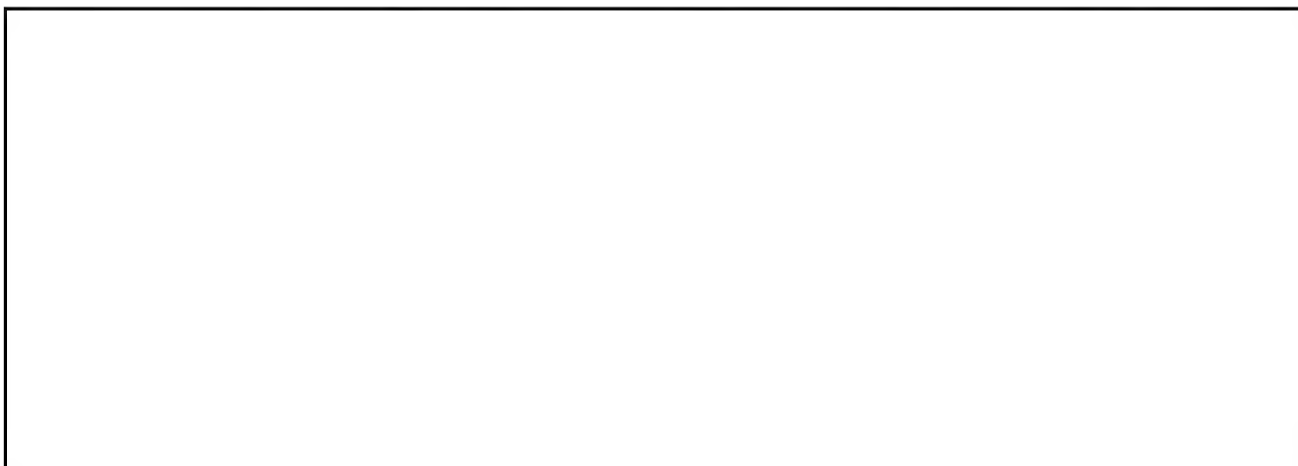
Consideration of the China Committee report at the Consultative Group meeting next month may be used by some members as an occasion for raising

questions on the China controls, according to American COCOM officials in Paris. Japan, in particular, may question the stringency of restrictions applied to trade with Communist China as compared to those applicable to Western exports to the Soviet Union and the Satellites.

Comment: On 23 March the Japanese COCOM delegate informed American officials in Paris that his government felt that any relaxing of trade controls applied to the Soviet bloc in Europe would "automatically" raise the question of the China controls. He contended that the possibilities for transshipment to China rendered more stringent China controls "pointless."

Favorable political developments at the Geneva conference, or a strong trade bid there by China, would likely increase sentiment in COCOM for relaxing controls on the China trade.

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3. USSR may raise European security plan at Geneva:

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A French Foreign Ministry spokesman believes that the USSR's plan for European security will continue to be the leitmotif of Soviet foreign policy for several years.

He says that the French and British governments anticipate the USSR may again raise the security plan at Geneva and that they are preparing a flat rejection to any such approach.

The official agrees with Ambassador Bohlen that the recent increase in Soviet emphasis on this plan in the press and speeches is designed to undo Molotov's Berlin blunder of relegating the United States to the role of observer, and to emphasize that the proposal is meant to unite rather than divide Europe.

Comment: Communist propaganda since the Berlin conference has sought to keep the Soviet plan before Western public opinion and thus reduce active support of EDC to a point where the scales will be tipped against ratification.

FAR EAST

4. South Korean generals advise Rhee against independent military action:

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At a meeting with President Rhee believed held on 23 March, top South Korean army generals informed Rhee flatly that he could

not hope to unify Korea by unilateral military action. [redacted]

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Briggs believes the generals included Joint Chiefs of Staff chairman Yi Hyong-kun, army chief of staff Chong Il-kwon, and 1st Army commander Paek Sun-yop. He cites this as "interesting confirmation" that top South Korean army officials are realistic in their appraisal of the military factors involved in a drive north.

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Rhee and his generals almost certainly discussed the army's capabilities in the event it should be expanded to 35 divisions, as demanded by Rhee as the price for South Korea's attendance at Geneva. The generals' views may make Rhee less adamant in his demands.

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SOUTHEAST ASIA

6. New major attack on Dien Bien Phu expected within 10 days:

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The French expect a new major Viet Minh attack at Dien Bien Phu within 10 days, according to a report on 24 March from the American army attaché at Saigon. Despite French clearing efforts, Viet Minh troops still occupy trenches within 300 to 500 yards of some French positions and are continuing their attempts to isolate the southernmost strong point from the center.

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Meanwhile, the American consul in Hanoi reports [redacted] that the first attempt at saturation napalm bombing on 23 March brought promising results. French-piloted C-119's and C-47's burned swaths three kilometers long and one kilometer wide to the west and east of the central French defenses.

Comment: A Communist intention to risk further costly attacks at Dien Bien Phu is suggested by the continuing preparations there and also by a Peiping broadcast of 24 March which quoted a Viet Minh journal. The latter asserted that the current campaign ushers in a new stage in the Indochina war, with the Viet Minh army "launching massive attacks against strongly fortified French positions."

7. Bao Dai favors creation of high war council:

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Bao Dai told Ambassador Heath on 23 March that he wanted to create a "high war council that would really contribute to winning the war." In this connection, he praised the Vietnamese chief of staff, General Hinh, and criticized Premier Buu Loc. Discounting the desirability of creating a provisional assembly, he carefully intimated that he himself might take over the government.

A well-qualified French observer states, meanwhile, that Buu Loc's government is incapable of gaining popular support and that Bao Dai, recognizing this, may be forced to take action shortly.

Comment: Bao Dai's remarks tend to bear out a recent report that he favors the creation of a three-man military dictatorship to include himself and General Hinh. Such a move might result in increased efficiency, but would inevitably stir up popular discontent.

8. Right-wing Nacionalistas to demand abrogation of Philippine agreements with US:

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[redacted] during the next two weeks, Philippine foreign secretary Garcia and Senator Recto will demand abrogation of the trade and bases agreements with the United States. Their aim was said to be to secure more American concessions through "political blackmail."

Comment: Magsaysay has repudiated the "Asia for Asians" slogan of Recto and Garcia, who represent the ultra-nationalistic wing of the administration party. They have, nevertheless, continued their efforts to undermine Magsaysay's strongly pro-American policies.

SOUTH ASIA

9. Pakistan reported willing to give \$12,000,000 annually to settle Pushtoonistan issue:

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The Pakistani ambassador in Kabul, Colonel Shah, has told Ambassador Ward that his government is prepared to make services and facilities worth \$12,000,000 available

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to Afghanistan annually for an unspecified period, in return for a settlement of the Pushtoonistan issue. The services would include technical training for the Afghan army and special economic concessions. Pakistan would also sign a trade and frontier agreement, and if practicable, a joint defense pact.

Comment: Pakistan has maintained that it would make no concessions in this six-year-old dispute over the status of Pushtu-speaking tribes in its northwestern frontier areas. Recent indications that Afghanistan might be seriously seeking a settlement may now have led Karachi to consider making offers.

Afghanistan probably would not accept any proposals without considerable haggling. The chances of a settlement nevertheless appear better than at any time since the partition of British India in 1947.

NEAR EAST - AFRICA

10. UN secretary general opposes immediate Security Council review of Israel-Jordan armistice:

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Secretary General Hammarskjold informed American, British, and French representatives at the UN on 24 March that he doubted the desirability of having the Security Council consider the Israel-Jordan armistice at the present time. The group was generally opposed to the council's review of the matter. The British representative suggested, moreover, that the question could be taken up in the

normal consideration of General Bennike's recent report on the Israeli-Arab border situation.

In Hammarskjold's view, the UN chairman of the Mixed Armistice Commission acted entirely properly by abstaining on the Israeli proposal to condemn Jordan for the Negev bus incident. Israel, Hammarskjold stated, had prejudged the issue.

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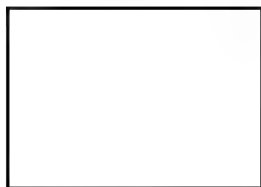
The secretary general has also informed the Israeli government that he is anxious to maintain the authority of the commission. He expressed his hope that Israel would fully cooperate with UN efforts to uphold the commission.

Comment: Hammarskjold's views probably will be violently denounced in Israel, where a strong and immediate condemnation of Jordan is sought.



12. Comment on struggle for power in Egypt:

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The announcement that the ruling Revolutionary Command Council will be dissolved on 24 July and parliamentary government

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[redacted] restored in Egypt is another strategic victory for General Nagib in his month-old struggle for power with Colonel Nasr, dominant figure in the council. The development emphasizes the split between the two men and makes any lasting compromise unlikely.

Nasr and his supporters in the army, however, will probably resist implementation of the decision and a new army coup or attempts on Nagib's life may follow.

Nagib's reported contacts with old-line politicians, including Wafdist leader Nahas Pasha, and his identification with the forces seeking a return to parliamentary rule, suggest that he hopes to be elected president of a civilian government. It is doubtful, however, that Nagib could dominate a popularly elected parliament, which would probably be controlled by either the nationalist Wafd or Moslem Brotherhood. As long as Egyptian leaders are pre-occupied with their power struggle, settlement of the Suez base question is unlikely. [redacted]

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WESTERN EUROPE

13. Bruce and Dillon comment on EDC chances in France:

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[redacted] Ambassadors Dillon and Bruce in Paris agree that the French National Assembly would ratify EDC if Premier Laniel presented the treaty before the current favorable situation is changed by international or domestic developments. They see, however, three main obstacles to early debate:

(1) The threat of Gaullist withdrawal from the government. This threat may already have forced Laniel to agree to avoid debate until after the Geneva conference. In the ambassadors' opinion, however, the Gaullists would hesitate to take the responsibility for overthrowing the cabinet just before the Geneva talks begin.

(2) The need for the Socialist Party to have time to convene a special national congress for approval of the treaty. The ambassadors believe that announcement before Easter that National Assembly debate would open early in May would allow enough time for this purpose.

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(3) The Saar issue. The ambassadors state that the "outlines" of a solution "are now quite clear" providing an Adenauer-Bidault meeting can be brought about soon.

Comment: Heretofore Bruce has frequently differed with Dillon, who has been consistently optimistic on EDC's ratification chances.

It now seems clear that commencement of the debate before Easter is out of the question. The treaty's opponents can be expected to make an all-out effort to postpone action pending the outcome of the Geneva conference.

14. Adenauer to press Italians for prompt EDC action:

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The West German embassy in Rome has informed American officials that Chancellor Adenauer plans to see Premier Scelba on 26 March to urge prompt EDC ratification.

Adenauer will argue that if Germany is prepared "to go a long way on the Saar," Italy should be less difficult on Trieste.

Italian Christian Democratic right wing leaders are insisting, however, that Scelba tell Adenauer that one more effort must be made at a Trieste settlement before action is taken on EDC.

Comment: Adenauer's visit is unlikely to have much direct effect in expediting Italian consideration of EDC. His making this effort in Rome, however, suggests a willingness to make concessions on the Saar to speed up French ratification.

LATIN AMERICA

15. Comment on Chile's position on copper sales to Orbit:

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Chilean officials have now promised the United States that Chilean copper will be sold only in Western markets. Their

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assurances, together with Chile's previous pledge to grant greater operational autonomy to the American-owned copper companies, meet the general terms set by the United States as a prerequisite to its purchase of 100,000 tons of Chilean copper.

Finance Minister Del Pedregal now states that the cabinet statement of 17 March implying Chilean interest in sales to the Orbit was made for domestic political purposes. This factor was influential in the repeal last September of the decrees prohibiting trade with the Orbit. [REDACTED]

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LATE ITEM

16. Comment on Soviet grant of "sovereignty" to East Germany:

The Soviet grant of ostensible "sovereignty" to the East German government announced on 25 March includes freedom to make its own decisions on domestic and foreign affairs, including relations with West Germany. It provides, however, that the Soviet armed forces will be retained "temporarily" to enforce security, and indicates that East Germany must continue to pay occupation costs.

The Soviet high commissioner's control functions over the East German government are abolished, but he will continue to "insure security" and to maintain relations with the Western occupation forces in "all-German" matters and in questions affected by agreed quadripartite decisions on Germany. This statement indicates that the USSR will not at present risk challenging Western rights of access to Berlin.

The Soviet high commissioner will of course be aided in his security function by the Russian occupation army, now estimated at 400,000 men.

The timing of the announcement suggests that the primary purpose was to strengthen the position of the East German government, which was seriously weakened by the June 1953 riots and the subsequent unrest and economic instability. The announcement attempts to give a maximum of prestige to the Communist regime on the eve of the Socialist Unity Party congress, and to strengthen the position of the party's first secretary, Ulbricht, whose authority has been threatened by the increased factionalism and internal discontent in the party. This

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move will solidify the position of the East German Communist hierarchy and reassure many party members who have been demoralized by the uncertainties of the past year. It is unlikely to convince the East German population, or to compensate for the fiasco, in German eyes, of the position Molotov took on Germany and Austria at the Berlin conference. It will certainly carry no conviction in West Germany.

This grant of "sovereignty", coming after the rigid Soviet position at the Berlin conference, suggests that the Kremlin does not believe that the prospect of German unity, however slim, need be maintained in order further to confuse the efforts to obtain French ratification of the EDC treaty.

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